

CITY OF WILLIAMSBURG, VIRGINIA
Fiscal Year 2008 Operating Budget

Debt Service

Computation of Legal Debt Margin (as of June 30, 2006)

Assessed Value of Real Estate	
Subject to Taxation - June 30, 2006	\$1,338,705,000
Debt Limit: 10 Percent of Assessed Value*	\$133,870,500
Total Bonded Debt	\$20,505,871
Total Amount of Debt Applicable to Debt Limit	\$20,505,871
Legal Debt Margin	<u>\$113,364,629</u>

*Virginia statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value.
The above calculation includes all debt secured by the full faith and credit of the City

Summary of Debt Issues:

<u>Bond:</u>	<u>Fund</u>	<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount Issued</u>
2	General	G.O. - Capital Improvements	August, 1997	Sept., 2012	30-day Libor less 1.4%	\$6,000,000
3	Utility	G.O. - Capital Improvements	August, 1997	Sept., 2012	4.94%	\$2,000,000
4	Utility	G.O. - Open Space Easement	July, 1991	August, 2001	4.00%	\$653,800
5	Utility	G.O. - Land Purchase	January, 2006	January, 2007	68% Libor + 22bp	\$5,807,754
6	General	G.O. - Capital Improvements	January, 2002	January, 2017	4.55%	\$2,500,000
7	General	Note - Property Purchase	July, 2003	January, 2008	4.60%	\$1,300,000
8	General	G.O. - Capital Improvements	April, 2005	April, 2020	3.76%	\$8,500,000

Debt Service by Fiscal Year:

<u>Fiscal Year</u>	<u>Fund</u>	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Notes:</u>
2007	General	\$992,425	\$557,570	\$1,549,995	#8 Property Purchase note payoff
2008	General	\$2,314,249	\$486,225	\$2,800,474	
2009	General	\$1,036,704	\$413,846	\$1,450,550	
2010	General	\$1,064,816	\$370,670	\$1,435,486	
2011	General	\$1,088,610	\$326,357	\$1,414,967	
2012	General	\$1,118,109	\$280,313	\$1,398,422	#2 Improvement bond payoff
2013	General	\$810,009	\$239,140	\$1,049,149	
2014	General	\$774,336	\$209,020	\$983,356	
2015	General	\$806,119	\$178,365	\$984,484	
2016	General	\$838,721	\$146,435	\$985,156	
2017	General	\$872,173	\$113,201	\$985,374	#6 Parking Garage bond payoff
2018	General	\$671,507	\$78,630	\$750,137	#9 Improvement bond payoff
2019	General	\$696,755	\$53,381	\$750,136	
2020	General	\$722,953	\$27,183	\$750,136	

<u>Fiscal Year</u>	<u>Fund</u>	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Debt Service</u>	
2007	Utility	\$5,965,049	\$174,000	\$6,139,049	#4 & #5 Land Purchase bond payoff
2008	Utility	\$133,333	\$32,084	\$165,417	
2009	Utility	\$133,333	\$25,319	\$158,652	
2010	Utility	\$133,333	\$18,641	\$151,974	
2011	Utility	\$133,333	\$11,963	\$145,296	
2012	Utility	\$133,333	\$4,486	\$137,819	
2013	Utility	\$22,222	\$236	\$22,458	#3 Improvement bond payoff

CITY OF WILLIAMSBURG, VIRGINIA
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Statistical Information

Assessed Value of Taxable Property- Last Ten Fiscal Years

Fiscal Year	Real Estate	<u>Public Service Corporations:</u>		Total
		Personal Property	Real Estate	
1997	\$735,851,100	\$51,406,969	\$37,580,129	\$824,867,410
1998	749,039,424	52,069,539	37,937,591	839,074,182
1999	792,641,200	56,325,500	40,999,777	889,985,372
2000	815,856,500	58,029,830	43,812,511	917,703,005
2001	863,961,268	63,697,973	47,224,673	974,902,689
2002	908,631,326	66,844,284	50,895,236	1,026,388,131
2003	995,635,300	68,232,529	49,990,963	1,114,199,519
2004	1,117,426,100	68,635,038	53,151,294	1,239,212,432
2005	1,202,692,600	67,621,580	55,531,820	1,325,863,388
2006	1,338,705,000	74,207,830	52,041,889	1,464,954,719

Ratio of Annual Debt Service Expenditures for G.O. Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures *
1997	\$388,000	\$147,410	\$535,410	\$26,310,960	2.03%
1998	788,000	494,410	1,282,410	25,804,745	4.97%
1999	921,333	465,741	1,387,074	29,462,680	4.71%
2000	788,000	345,542	1,133,542	24,941,834	4.54%
2001	788,000	323,094	1,111,094	25,544,970	4.35%
2002	788,000	290,907	1,078,907	27,507,905	3.92%
2003	908,000	361,125	1,269,125	32,029,353	3.96%
2004	5,413,000	352,333	5,765,333	37,274,645	15.47%
2005	918,000	336,211	1,254,211	31,518,436	3.98%
2006	5,872,179	505,332	6,377,511	40,393,943	15.79%

* Fiscal Years 2004 and 2006 included debt principal payoff

Property Tax Rates (per \$100 of valuation)

Fiscal Year	Real Estate	Personal Property	Personal Property Tax Relief Rate	Machinery & Tools
1997	\$0.54	\$3.50	n/a	\$3.50
1998	0.54	3.50	12.5%	3.50
1999	0.54	3.50	27.0%	3.50
2000	0.54	3.50	47.5%	3.50
2001	0.54	3.50	70.0%	3.50
2002	0.54	3.50	70.0%	3.50
2003	0.54	3.50	70.0%	3.50
2004	0.54	3.50	70.0%	3.50
2005	0.54	3.50	70.0%	3.50
2006	0.54	3.50	65.0%	3.50

Principal Employers- Current and Nine Years Ago

<u>Employer</u>	<u>1997</u>			<u>2006</u>		
	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of total City Employment</u>	<u>Employees*</u>	<u>Rank</u>	<u>Percentage of total City Employment</u>
College of William & Mary	1,000+	1	14.29%	1,000+	1	20.92%
Colonial Williamsburg Foundation	1,000+	2	10.12%	1,000+	2	10.37%
Colonial Williamsburg Company	1,000+	3	10.12%	1,000+	3	10.37%
Williamsburg Community Hospital ²	500 to 999	4	4.46%	500 to 999	4	5.24%
City of Williamsburg	250 to 499	5	0.93%	250 to 499	5	1.22%
Williamsburg Hospitality House	100 to 249	6	0.86%	100 to 249	6	0.96%
Marriott Educational Services Inc.	100 to 249	7	0.86%	100 to 249	7	0.96%
Patrick Henry Inn	100 to 249	8	0.86%	100 to 249	8	0.96%
National Center for State Courts	100 to 249	9	0.86%	100 to 249	9	0.96%
Red Lobster & The Olive Garden	100 to 249	10	0.86%	100 to 249	10	0.96%

¹ includes part-time and seasonal employees

² now Sentara Healthcare-relocated to neighboring York County in August 2006

Unemployment Rate and Labor Force

(Source, Virginia Employment Commission)

Year	Labor Force	Employed	Unemployed	Unemployment Percentage
1996	5,672	5,203	469	8.3%
1997	5,761	5,341	420	7.3%
1998	6,083	5,746	337	5.5%
1999	6,112	5,760	352	5.8%
2000	5,847	5,574	273	4.7%
2001	5,930	5,556	374	6.3%
2002	5,861	5,460	401	6.8%
2003	6,016	5,562	454	7.5%
2004	4,862	4,501	361	7.4%
2006	4,735	4,377	358	7.6%

Land Area of Original City of Williamsburg and Subsequent Annexations

Year	Description	Annexation Area (Sq. Miles)	Accumulative Area (Sq. Miles)
1722	Original City	0	0.86
1915	Annexation	0.11	0.97
1923	Annexation	0.48	1.45
1941	Annexation	1.66	3.11
1964	Annexation	2.06	5.17
1984	Annexation	3.88	9.05

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**Demographic and Economic Statistics,
Last Ten Fiscal Years**

Calendar Year	Population	Personal Income (thousands of dollars)²	Per Capita Personal Income²	Public School Enrollment ³	Per Capita Personal Debt	Unemployment Rate¹
1997	11,430	\$1,644,516	\$29,424	7,675	\$363	6.90%
1998	11,430	1,808,310	31,496	7,921	991	5.40%
1999	11,430	1,924,796	32,664	8,155	913	5.60%
2000*	11,998	2,107,283	34,849	8,191	793	4.30%
2001	12,400	2,290,040	37,254	8,407	1,159	5.60%
2002	12,600	2,392,093	38,023	8,553	1,615	7.30%
2003	13,200	2,520,635	38,950	8,959	1,460	8.20%
2004	13,400	2,716,355	40,551	9,402	1,445	7.80%
2005	13,400	n/a	n/a	9,820	1,989	7.60%
2006	13,400	n/a	n/a	10,105	1,530	6.90%

* U. S. Census - all other population figures supplied by Weldon Cooper Center for Public Service (University of VA)

¹ Virginia Employment Commission

² Source - U.S. Dept of Commerce, Bureau of Economic Analysis, Regional Accounts Data -
per capita personal income figures are only available for the City of Williamsburg and neighboring James City County combined;
2005 & 2006 figures are extrapolated from Weldon Cooper statistics.

³ Source - Williamsburg-James City County Public Schools

CITY OF WILLIAMSBURG, VIRGINIA**Fiscal Year 2008 Operating Budget****Statistical Information**

Miscellaneous Statistics - June 30, 2006

Date Established by Virginia General Assembly	1699
Date of Incorporation by Royal Charter	1722
Form of Government since 1932	Council-Manager
Population (2002 Census)	11,998
Population (2004 Estimate) *	13,400
Area	9.05 Sq. Miles
Miles of Streets	54
Number of Traffic Signals	15
Fire Protection:	
Number of Stations	1
Firemen: full-time	34
volunteer	30
Police Protection	
Number of Stations	1
Sworn Officers	34
Education:	
Schools (owned by joint school system)	
Grades:	
K-5	7
6-8	3
9-12	2
Recreation:	
Number of Parks	4
Number of Ball Fields	6
Number of Tennis Courts	10
Number of Total Acres	2,036
Culture:	
Number of Public Libraries (Regional)	2
Number of volumes - June 2006	304,171
Number of patrons - June 2006	65,787
Municipal Water Department	
Number of Customers	3,875
Average Daily Consumption	3,200,000 gallons
Miles of Water Distribution	48
Number of Water Tanks	5
Municipal Employees	191
Number of Hotels & Motels	47
Number of Bed & Breakfasts	37
Number of Restaurants	85

* Weldon Cooper Center for Public Service

Utility Fund – Water and Sewer Rate Analysis – FY08-12

The FY08-12 water rate review looks at the financial viability of the Utility Fund in terms of projected revenues and expenses for the next five year period. The water rate was increased last year by 11% from \$2.70/1000 gallons to \$3.00/1000 gallons. The single water rate includes sewer service since the City does not have a separate rate for sewer.

Expenses:

As stated in last year's analysis, what will drive the cost of water for many years to come in the City and the entire Peninsula is development of a regional water supply, namely King William Reservoir. While the process for obtaining approval of the various permits has been cumbersome, the City continues to rely on this project for its long term water supply supplement to Waller Mill Reservoir. The City has been negotiating with Newport News Water Works (NNWW) for Williamsburg to buy in to the Project. The City completed a demand study and a supply study is in process. From these studies, the City can determine the amount of water it wishes to commit to. Early estimates place the need at 1.5-3 million gallons per day (mgd) from the King William Project. The current raw water contract states that Williamsburg will reserve 1 mgd and that Williamsburg has the option, within a ten year period, to reserve an additional 1 mgd. The safe yield of the King William Project is 20 mgd. Based on negotiations and NNWW's perspective, the City's contribution would equal the percentage of the reservoir's safe yield which we are reserving i.e. a 1 mgd reservation would cost the City 5% of the project cost or \$12 million. The debt service on this investment is approximately \$.8 million per year over a 30 year period. With a utility fund budget of \$4.5 million, it is readily apparent that there will be a major impact to the budget and water rates/fees of the City.

The City's sanitary sewer system will need to be upgraded in accordance with a proposed Consent Order from the Federal Environmental Protection Agency and State Department of Environmental Quality. The consent order is a regional order affecting all jurisdictions in the HRPDC area. The Order is expected to be finalized in September, 2007. The City will be required to make substantial investments in the sewer system to address overflows caused primarily by stormwater infiltrating/inflowing (I/I) into the sanitary system. Monies have been earmarked in the 5 year capital improvements program. As the Order is finalized; costs can be more closely determined. These costs will be ongoing including both capital expenditures and increased operating/maintenance costs to keep the system in good condition in accordance with the Order.

Further, we need to factor in the more conventional increases in expenses which have been identified in previous reports: Implementation of security measures at the Water Plant based on the Vulnerability Assessment Report;

rehab/replacement of aging infrastructure; chemical treatment changes at the Water Plant necessary to meet stricter water quality standards (e.g. THM standards). Last year's rate analysis anticipated future rate increases of 4% annually to cover these more conventional type expenses.

Revenue

Growth in Water Demand:

We are projecting water revenue to increase only slightly over the 5 year study period due to pending near-term development and redevelopment in the commercial sector. For example, the Community Hospital has left the City and will be replaced by the College's School of Education which is a less intensive water user. On the other hand, new development such as High Street, Quarterpath at Williamsburg and York County development in the By-Pass Road/Mooretown Road area will increase water demand. We are projecting .5% growth each year over the next five year period. Possible revenue from JCSEA was not included since water sales to the Authority are on an emergency basis. Further, the Authority has increased water system capacity by adding a groundwater desalting plant in the past year. Water sales to the County would be strictly on an emergency basis and therefore are not included.

Water and Sewer Fees:

The City last revised its water and sewer fees in July, 2000. The fees are broken into 3 areas: Availability fees, Hampton Roads Sanitation District (HRSD) fees and connection fees. The availability fees are designed to have new development pay for capital improvements which primarily benefit future customers. This prevents or reduces inequity to existing customers as "growth pays for growth". The HRSD wastewater facility charge is for new connections and covers the cost of treatment capacity expansion, line extensions and pump stations. These charges are established by HRSD and reviewed on an annual basis. The City collects the charges and forwards the receipts to the District. The third fee is the connection fee which is the construction cost of the City installing the water and sewer connections to the customer's property line. Most connections are pre-installed by the developer at the time the project is under construction and therefore, in those cases, the fee is not applicable.

In reviewing availability or facility fees, as they are sometimes called, set by 58 Virginia utilities, the average residential fee is \$2,400. The availability fees are based on meter size to reflect capacity and demand on the system. The City increased the fees substantially in FY07 from \$1,500 to \$2,500. This increase was predicted on new growth paying equitably in the growth of the system such as King William reservoir. Since the fees fair reasonably with other Virginia

localities and they were increased 60% last year, it is recommended that the fees remain the same.

The water and sewer connection fees are the costs associated with the City installing water and sewer service lines. Service lines run from the main lines to the customer's property line. For the most part, on new development, the developer installs the service line as part of the overall infrastructure of the development project. The City primarily installs service lines to infill development in existing subdivisions and small commercial sites. The water connection fee is based on meter size while the sewer connection fee is more of a flat fee for residential or commercial construction. These fees were increased substantially in FY07. An increase is not recommended since the fees are representative of actual costs of providing water and sewer service connections.

Rate Analysis:

Working capital projections were developed for different scenarios. The year-end working capital is essentially the Fund's cash balance or the difference between short term assets and liabilities. An increase in revenues relative to the proposed increases in water/sewer fees has been factored in the analysis. A majority of the increased revenue from fees is predicated on the development of High Street and Riverside/ Quarterpath developments occurring over an estimated 10 year period. Also, redevelopment based on the City's Economic Development Plan was considered. Finally, capital improvement expenses are based on our recently submitted FY08-12 CIP budget figures.

Since we have not finalized negotiations with NNWW for the Reservoir Project, the rate analysis does not specifically address this impact. The City has employed an engineering firm to review both the future demands of the City and the safe yield of the City's water supply to determine our needs from King William. A financial plan will then be developed to establish the financing vehicle and payment schedule commensurate with the construction of the King William Reservoir.

Three different rate scenarios are presented in Exhibits 1, 2 and 3. Exhibit 1 shows working capital projections with no rate increase. Exhibit 2 shows rate increases of 10% annually over the next five years. And Exhibit 3 shows a 16.67% increase in FY08 and 10% increases in years FY09-12. The working capital is depleted in the Exhibit 1 scenario (no rate increase) by 2011. Exhibit 2, showing 10% increases over the next 5 years, maintains approximately the existing working capital balance at year 2012. Finally, Exhibit 3 with an initial increase of 16.67% and subsequent 10% increases grows the working capital by 19% by 2012. While the extent of the Reservoir impact is not known precisely, we do know that it will be substantial. Therefore, significant rate increases are

anticipated in the foreseeable future to maintain a working capital balance. The days of “cheap, inexpensive” water are over.

For FY08 we are recommending a 10% increase in the water rate to \$3.30/1000 gals. Large rate increases may be necessary in the next several years to cover capital expenses including the new water supply and the sanitary sewer Consent Order while maintaining a reasonable working capital. Once we establish the amount of water we need from the Reservoir and negotiations with NNWW are finalized, the financial analysis will be completed, and rates/fees can be forecasted for both the short and long term.

A comparison of our water rate with other communities is presented in Exhibit 4. Although the other localities are considering FY08 rate increase, rates currently in place are used for comparison purposes. Williamsburg is far below all other Hampton Roads communities.

Daniel G. Clayton III
Director

EXHIBIT 1

CITY OF WILLIAMSBURG WATER & SYSTEM OPERATIONS

		Fiscal Year Ending June 30:						
		2006	2007	2008	2009	2010	2011	2012
		Actual	Estimated					
Revenue under existing rates								
Water		3,156,589	3,300,000	3,300,000	3,316,500	3,333,083	3,349,748	3,366,497
Sewer		792,255	740,000	785,000	788,925	792,870	796,834	800,818
Total Revenue Under Existing Rates		3,948,844	4,040,000	4,085,000	4,105,425	4,125,952	4,146,582	4,167,315
Additional Water Revenues:								
	Rate	Proposed	Months					
<u>Effective Date</u>	<u>Increase</u>	<u>Rate</u>	<u>Effective</u>					
July 1, 2007	0.00%	\$3.00	12	0	0	0	0	0
July 1, 2008	0.00%	\$3.00	12	0	0	0	0	0
July 1, 2009	0.00%	\$3.00	12	0	0	0	0	0
July 1, 2010	0.00%	\$3.00	12	0	0	0	0	0
July 1, 2011	0.00%	\$3.00	12	0	0	0	0	0
Subtotal, Additional Revenue from Increases		0	0	0	0	0	0	0
Total Revenue from User Charges		3,948,844	4,040,000	4,085,000	4,105,425	4,125,952	4,146,582	4,167,315
Other Utility Income		466,188	411,400	411,400 *	500,000	500,000	600,000	600,000
Total Operating Revenues		4,415,032	4,451,400	4,496,400	4,605,425	4,625,952	4,746,582	4,767,315
Operation and Maintenance Expenses								
Water and Sewer Utility		-3,789,545	-4,130,010	-4,591,841	-4,729,596	-4,871,484	-5,017,629	-5,168,157
Add back depreciation expense		371,261	375,000	375,000	375,000	375,000	375,000	375,000
Total Direct Operation & Maintenance Expense		-3,418,284	-3,755,010	-4,216,841	-4,354,596	-4,496,484	-4,642,629	-4,793,157
Operating Income		996,748	696,390	279,559	250,829	129,468	103,953	-25,843
Interest Income - Operating		202,622	200,000	200,000	45,000	16,000	0	0
Net Income from Operations		1,199,370	896,390	479,559	295,829	145,468	103,953	-25,843
Debt Service (principal & interest)								
Open Space Easement		-144,489	-24,082	--	--	--	--	--
Capital Construction Bond		-179,248	-172,214	-166,333	-158,652	-151,974	-145,296	-137,819
Land Purchase Bond		-173,173	-220,000	-- **	--	--	--	--
Total Debt Service		-496,910	-416,296	-166,333	-158,652	-151,974	-145,296	-137,819
Major Capital Improvements								
Capital Improvements Expenses		-219,859	-830,000 ***	-1,165,000	-2,635,000	-835,000	-840,000	-755,000
Balance - Fiscal Year Activities		482,601	-349,906	-851,774	-2,497,823	-841,506	-881,343	-918,662
Working Capital - Beginning of Year		4,869,351	5,351,952	5,002,046	4,150,272	1,652,449	810,943	-70,400
Working Capital - End of Year **		5,351,952	5,002,046	4,150,272	1,652,449	810,943	-70,400	-989,062

* Assumes increase in availability fees

** Assumes proceeds of Royals Property sale = principal payoff due June, 2007 of \$5.8 Million

Assumptions:

0.5% Growth in Water Consumption

3.0% Growth in Operating Expenses

EXHIBIT 2

CITY OF WILLIAMSBURG
WATER & SYSTEM OPERATIONS

CITY OF WILLIAMSBURG WATER & SYSTEM OPERATIONS				Fiscal Year Ending June 30:								
				2006	2007		2008		2009	2010	2011	2012
				Actual	Estimated							
Revenue under existing rates												
Water				3,156,589	3,300,000		3,300,000	3,316,500	3,333,083	3,349,748	3,366,497	
Sewer				792,255	740,000		785,000	788,925	792,870	796,834	800,818	
Total Revenue Under Existing Rates				3,948,844	4,040,000		4,085,000	4,105,425	4,125,952	4,146,582	4,167,315	
Additional Water Revenues:												
	Rate	Proposed	Months									
Effective Date	Increase	Rate	Effective									
July 1, 2007	10.00%	\$3.30	12	0	0	330,000	330,000	330,000	330,000	330,000	330,000	
July 1, 2008	10.00%	\$3.63	12	0	0	0	364,000	364,000	364,000	364,000	364,000	
July 1, 2009	10.00%	\$4.00	12	0	0	0	0	402,000	402,000	402,000	402,000	
July 1, 2010	10.00%	\$4.40	12	0	0	0	0	0	444,000	444,000	444,000	
July 1, 2011	10.00%	\$4.84	12	0	0	0	0	0	0	0	490,000	
Subtotal, Additional Revenue from Increases				0	0	330,000	694,000	1,096,000	1,540,000	2,030,000		
Total Revenue from User Charges				3,948,844	4,040,000	4,415,000	4,799,425	5,221,952	5,686,582	6,197,315		
Other Utility Income				466,188	411,400	411,400 *	500,000	500,000	600,000	600,000		
Total Operating Revenues				4,415,032	4,451,400	4,826,400	5,299,425	5,721,952	6,286,582	6,797,315		
Operation and Maintenance Expenses												
Water and Sewer Utility				-3,789,545	-4,130,010	-4,579,480	-4,716,864	-4,858,370	-5,004,121	-5,154,245		
Add back depreciation expense				371,261	375,000	375,000	375,000	375,000	375,000	375,000		
Total Direct Operation & Maintenance Expense				-3,418,284	-3,755,010	-4,204,480	-4,341,864	-4,483,370	-4,629,121	-4,779,245		
Operating Income				996,748	696,390	621,920	957,561	1,238,582	1,657,460	2,018,070		
Interest Income - Operating				202,622	200,000	200,000	100,000	90,000	85,000	85,000		
Net Income from Operations				1,199,370	896,390	821,920	1,057,561	1,328,582	1,742,460	2,103,070		
Debt Service (principal & interest)												
Open Space Easement				-144,489	-24,082	- -	- -	- -	- -	- -	- -	
Capital Construction Bond				-179,248	-172,214	-166,333	-158,652	-151,974	-145,296	-137,819		
Land Purchase Bond				-173,173	-220,000	- - **	- -	- -	- -	- -	- -	
Total Debt Service				-496,910	-416,296	-166,333	-158,652	-151,974	-145,296	-137,819		
Major Capital Improvements												
Capital Improvements Expenses				-219,859	-830,000	-1,165,000	-2,635,000	-835,000	-840,000	-755,000		
Balance - Fiscal Year Activities				482,601	-349,906	-509,413	-1,736,091	341,608	757,164	1,210,251		
Working Capital - Beginning of Year				4,869,351	5,351,952	5,002,046	4,492,633	2,756,542	3,098,149	3,855,314		
Working Capital - End of Year **				5,351,952	5,002,046	4,492,633	2,756,542	3,098,149	3,855,314	5,065,565		

* Assumes increase in availability fees

** Assumes proceeds of Royals Property sale = principal payoff by June, 2007 of \$5.8 Million

Assumptions:

0.5% Growth in Water Consumption

3.0% Growth in Operating Expenses

EXHIBIT 3

CITY OF WILLIAMSBURG
WATER & SYSTEM OPERATIONS

		Fiscal Year Ending June 30:						
		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
		Actual	Estimated					
Revenue under existing rates								
Water		3,156,589	3,300,000	3,300,000	3,316,500	3,333,083	3,349,748	3,366,497
Sewer		792,255	740,000	785,000	788,925	792,870	796,834	800,818
Total Revenue Under Existing Rates		3,948,844	4,040,000	4,085,000	4,105,425	4,125,952	4,146,582	4,167,315
Additional Water Revenues:								
	Rate	Proposed	Months					
<u>Effective Date</u>	<u>Increase</u>	<u>Rate</u>	<u>Effective</u>					
July 1, 2007	16.67%	\$3.50	12	0	0	550,000	550,000	550,000
July 1, 2008	10.00%	\$3.85	12	0	0	0	386,000	386,000
July 1, 2009	10.00%	\$4.24	12	0	0	0	426,000	426,000
July 1, 2010	10.00%	\$4.67	12	0	0	0	0	471,000
July 1, 2011	10.00%	\$5.14	12	0	0	0	0	519,000
Subtotal, Additional Revenue from Increases		0	0	550,000	936,000	1,362,000	1,833,000	2,352,000
Total Revenue from User Charges		3,948,844	4,040,000	4,635,000	5,041,425	5,487,952	5,979,582	6,519,315
Other Utility Income		466,188	411,400	411,400 *	500,000	500,000	600,000	600,000
Total Operating Revenues		4,415,032	4,451,400	5,046,400	5,541,425	5,987,952	6,579,582	7,119,315
Operation and Maintenance Expenses								
Water and Sewer Utility		-3,789,545	-4,130,010	-4,591,841	-4,729,596	-4,871,484	-5,017,629	-5,168,157
Add back depreciation expense		371,261	375,000	375,000	375,000	375,000	375,000	375,000
Total Direct Operation & Maintenance Expense		-3,418,284	-3,755,010	-4,216,841	-4,354,596	-4,496,484	-4,642,629	-4,793,157
Operating Income		996,748	696,390	829,559	1,186,829	1,491,468	1,936,953	2,326,157
Interest Income - Operating		202,622	200,000	200,000	100,000	90,000	85,000	85,000
Net Income from Operations		1,199,370	896,390	1,029,559	1,286,829	1,581,468	2,021,953	2,411,157
Debt Service (principal & interest)								
Open Space Easement		-144,489	-24,082	--	--	--	--	--
Capital Construction Bond		-179,248	-172,214	-166,333	-158,652	-151,974	-145,296	-137,819
Land Purchase Bond		-173,173	-220,000	-- **	--	--	--	--
Total Debt Service		-496,910	-416,296	-166,333	-158,652	-151,974	-145,296	-137,819
Major Capital Improvements								
Capital Improvements Expenses		-219,859	-830,000	-1,165,000	-2,635,000	-835,000	-840,000	-755,000
Balance - Fiscal Year Activities		482,601	-349,906	-301,774	-1,506,823	594,494	1,036,657	1,518,338
Working Capital - Beginning of Year		4,869,351	5,351,952	5,002,046	4,700,272	3,193,449	3,787,943	4,824,600
Working Capital - End of Year **		5,351,952	5,002,046	4,700,272	3,193,449	3,787,943	4,824,600	6,342,938

* Assumes increase in availability fees

** Assumes proceeds of Royals Property sale = principal payoff by June, 2007 of \$5.8 Million

Assumptions:

0.5% Growth in Water Consumption

3.0% Growth in Operating Expenses

EXHIBIT 4

WATER AND SEWER RATES COMPARISON			
	WATER	SEWER	TOTAL
Newport News	\$ 3.72/1000 gallons	\$ 1.82/1000 gallons	\$ 5.54/1000 gallons
JCSA	<u>Res.</u> 0-15 \$2.50 15-30 \$3.00 > 30 \$8.50 <u>Comm.</u> \$3.00/1000	\$ 2.80/1000 gallons	\$ 5.30+/1000 gallons
Portsmouth	\$ 3.38/1000 gallons	\$ 2.65/1000 gallons	\$ 6.03/1000 gallons
Norfolk	\$ 4.50/1000 gallons	\$ 3.57/1000 gallons	\$ 8.07/1000 gallons
Chesapeake	\$ 4.31/1000 gallons	\$.97/1000 gallons	\$ 5.28/1000 gallons
VA Beach	\$ 3.70/1000 gallons	\$16.88/house	\$ 5.00+/1000 gallons
Williamsburg	\$ 3.00/1000 gallons	No separate charge	\$ 3.00/1000 gallons

February 2007

Accounting System - The total set of records and procedures which are used to record, classify, and report information on the financial status and operations of the City.

Accrual Basis of Accounting - The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods and services are received (whether cash disbursements are made at that time or not).

Account Number - A numerical code identifying Revenues and Expenditures by Fund, Department, Activity, Type and Object.

Activity - One of the tasks, goals, etc., of a departmental program.

Allocate – To set apart or earmark for a specific purpose

Appropriation - An authorization granted by the City Council to make expenditures and to incur obligations for purposes specified in the budget.

Assessment – The value set by the City Assessor annually for a particular real property in the City.

Balance Budget – The City Manager annually proposes, and the City Council adopts, a budget or financial plan for the upcoming year in which the revenues available (including any available fund balance from prior years) match or exceed the projected expenditures.

BPOL - Business, Professional and Occupational License Tax, administered by the Commissioner of the Revenue.

Budget - A comprehensive plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. The City's annual budget is established by City Council with a budget resolution.

Budget Revision - A formal change in the total amount of budgeted expenditures during a fiscal year by action of City Council.

Budget Transfer - A formal transfer from one activity [usually a departmental line item] to another, without changing a department's budget total. Transfers are approved at the City Manager level, and do not require action by City Council.

Capital Equipment - An expenditure for a fixed asset that has an expected life of more than (1) year and the cost of which is in excess of \$20,000. Capital items include office equipment, furniture, computers, etc.

Capital Improvement - New or expanded physical facilities for the community that are of relatively large size, are relatively expensive and permanent in nature. For example: street improvements, sidewalks, bridge rehabilitation, buildings, park improvements, and City vehicles. Capital improvements are accounted for in either the Sales Tax Fund for general improvements, or the Utility Capital Improvement Fund for water and sewer related projects.

Carryover – Refers to the process of transferring specific funds and obligations previously approved by City Council from the end of one fiscal year to the next fiscal year. City policy is to use this process only for capital projects.

CDBG – Community Development Block Grant program, funded by the U.S. Dept of Housing & Urban Development (HUD). These grant funds are used in the City to improve housing, neighborhoods, and economic conditions of the City's low and moderate income residents. The City works exclusively with the Williamsburg Redevelopment & Housing Authority (WRHA), as the agency receives Federal funds directly for CDBG projects.

CIP – Capital Improvement Program – a five-year plan for capital projects, with the first year of the plan appropriated by City Council by budget resolution.

Constitutional Offices – The offices or agencies directed by elected officials whose positions (Sheriff, Treasurer, Commissioner of the Revenue, etc.) are established by the Constitution of the Commonwealth of Virginia or its statutes.

Contingency Account - A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

Contractual Service - An expenditure for services performed by a non-employee. For example: computer, building, and copy machine maintenance, special studies, etc.

CSA – Comprehensive Services Act for Youth and Families

Debt Service – Principal and interest that the City pays on funds borrowed for capital projects.

Department - The Department is the primary administrative unit in City operations. Each is directed by a department head. Departments are generally composed of divisions of activities which share a common purpose.

Depreciation - (1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence; (2) that portion of the cost of a capital asset which is charged as an expense during a particular period.

Enterprise Fund - Used to account for the financing of services where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

Expenditure - An expenditure is a decrease in net financial resources for the governmental funds. This includes current operating expenditures requiring the present or future use of current assets.

Expense - The same as above when applied to a fund accounted for on an accrual basis, such as the City's Utility Fund.

Fiscal Year - The twelve month period on which the City operates its financial affairs. The City of Williamsburg's fiscal year is July 1 through June 30.

Fixed Asset - An expenditure for a good that has an expected life of more than (1) year and the cost of which is in excess of \$5,000. Capital items include real property, office equipment, furnishings and vehicles.

Full-Time Equivalent (FTE) - The percentage of time a staff member works represented as a decimal. A full-time authorized staff position is 1.00, equating to 2,080 hours of work per year (2,912 for uniformed firefighters) a half-time person is .50 and a quarter-time person is .25.

Fund - A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance - The equity of a fund, oftentimes incorrectly referred to as "surplus". It is the difference between a fund's assets and liabilities. Fund Balance is calculated by taking the beginning balance as of the beginning of the fiscal year, adding in all revenues received during the year, and deducting the year's expenditures. It is available to support the spending needs of the fund if necessary.

FY – Fiscal Year

GAAP – Generally accepted accounting principals. Uniform minimum standards for financial accounting, recording, and reporting.

GASB – Governmental Accounting Standards Board – A non-profit organization organized in 1984 as an operating entity of the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities.

General Fund – The fund type that accounts for the daily operations of the City, supported by local taxes, fees, and State revenues. It is the largest fund in the City's budget.

GFOA – Government Finance Officers Association of the United State and Canada. The purpose of the GFOA is to enhance and promote the professional management of governments for the public benefit.

Infrastructure - Roads, bridges, curbs and gutters, streets, sidewalks, drainage systems and lighting systems installed for the common good.

I T – Information Technology, a division of the Department of Finance, responsible for the City's current and future technology requirements, including local area network and infrastructure, computer hardware, software, maintenance, and replacement plan, voice, video, security, and disaster recovery.

Line Item - An individual expenditure (or expense) category listing in the budget (salaries, supplies, etc.)

Modified Accrual Basis of Accounting - (a) Revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Pay-As-You-Go - Refers to the method of financing capital projects from savings or normal cash flow. This requires annual appropriation of existing resources without the need to borrow funds.

Personal Property – A category of property identified for purposes of taxation in Virginia. It is comprise of personally owned vehicles, as well as corporate property and business equipment. Examples includes automobiles, motorcycles, trailers, boats, airplanes, business furnishings, and manufacturing equipment.

Real Property – Real estate, including land and improvements, classified for purposes of assessment.

Retained Earnings - The total earnings of an enterprise fund (in governmental accounting) since the establishment of the fund. The amount is adjusted by the fund income less expenses - on a full accrual basis of accounting.

Revenue – The yield of sources of income that the City of Williamsburg collects and receives into the treasury to pay for public services. Taxes, fees for services and grants are sources of revenue, for example.

Sales Tax Fund - This fund accounts for the scheduled major capital improvements for the upcoming year. Williamsburg also refers to this as the General Capital Improvements Program, and is supported exclusively by 1% retail sales tax revenues returned to the locality from the Commonwealth of Virginia, and interest earnings.

Supplemental Appropriation – An increase to a department's budget (spending authority) approved by City Council during the course of the fiscal year. It generally involves appropriation of a grant or other outside revenue.

Surplus - The excess of revenues over expenditures for a fund during a fiscal year.

Taxes - Compulsory charges levied by a government, school, sewer or other special district for the purpose of financing services performed for the common benefit.

Tax Base – The total market value of real property (land, buildings, and related improvements), public service corporation property, and personal property (cars, boats, and business tangible equipment) in the City.

Tax Levy - The total amount to be raised by either real or personal property taxes.

Tax Rate - The amount of taxes levied for each \$100 of assessed valuation, either real or personal property.

Transfer - A transfer is a movement of monies from one fund, activity, department, or account to another. This includes budgetary funds and/or movement of assets.

Working Capital - Excess of revenues over expenses for the Utility Fund. Working capital, as reported on a balance sheet, approximates cash and cash equivalents.

Workload Measures – Represent the numerical inputs, outputs and/or outcomes of City operating programs.